

Message Text

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41

ACTION AF-06

INFO OCT-01 ISO-00 EB-07 /014 W
----- 068046
R 020935Z APR 75
FM AMEMBASSY NAIROBI
TO SECSTATE WASHDC 2154
USDOC WASHDC
INFO AMEMBASSY DAR ES SALAAM

LIMITED OFFICIAL USE NAIROBI 2658

E.O. 11652: N/A

TAGS: BEXP, KE

SUBJECT: MAJOR PROJECT - AMERICAN FIRM N-REN
WINS EXCLUSIVE NEGOTIATING RIGHTS
FOR U.S. \$50 MILLION FERTILIZER PLANT

REF: USDOC 1949

1. J.G. KIANO, KENYAN MINISTER FOR COMMERCE AND INDUSTRY, INFORMED AMBASSADOR THAT AMERICAN FIRM N-REN (CINCINNATI) HAS WON EXCLUSIVE RIGHTS FOR NETOTIATING WITH GOK PREPARATORY TO ENTERING INTO CONTRACT FOR CONSTRUCTION U.S. \$50 MILLION FERTILIZER PLANT IN MOMBASA. N-REN TO HAVE 30 PERCENT EQUITY PLUS MANAGEMENT CONTRACT, GOK AS PARTNER. PLANT TO COME ON STREAM LATE 1987, PRODUCTION 240,000 TONS AMONIUM NITRATE DEMONIUM PHOSPHATE AND MPK'S.

2. RUNNER UP WAS GFDMAN FIRM HOECHST. HOECHST LOST PARTLY BECAUSE GOK FELT HOECHST WITH ITS PRESENT LUCRATIVE IMPORT MARKET WOULD BE LESS INCLINED TO HURRY CONSTRUCTION. ACCORDING MINISTRY OF AGRICULTURE OFFICIAL, N-REN IS TO BE GIVEN ROLE IN MONITORING KENYAN IMPORTS OF FERTILIZERS ONCE CONTRACT SIGNED.

3. KIANO SAID ONLY MAJOR STICKING POINT IN NEGOTIATIONS IS QUESTION OF N-REN'S PAYING SALES TAX
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ON MACHINERY, WHICH HE MENTIONED WOULD BE IMPORTED

FROM AUSTRIA. HE ADDED THAT HE INTENDED TALK WITH FINANCE MINISTER MWAI KIBAKI TO URGE HIM TO RESOLVE MATTER IN N-REN'S FAVOR.

4. DESPITE KIANO'S REASSURING REMARKS, N-REN MAY NOT HAVE COMPLETELY CLEAR SAILING. IN CONVERSATION WITH EMBOFF, WATU WAMAE, EXECUTIVE DIRECTOR, INDUSTRIAL & COMMERCIAL DEVELOPMENT CORPORATION (ICDC), EXPRESSED DISCOMFORT WITH BRIEF ANTECEDENTS OF N-REN. WAMAE THINKS MUCH MORE CHECKING SHOULD BE DONE ON FIRM. HE MENTIONED THAT FIRM WANTS TO UNDERTAKE U.S. \$50 MILLION PROJECT ON BASIS SHARE CAPITAL OF ONLY U.S. \$1 MILLION. WAMAE OBVIOUSLY NEEDS ADDITIONAL DATA ABOUT N-REN'S FINANCIAL BACKING. WAMAE ALSO CLEARLY UPSET BY WHAT HE CONSIDERED QUOTE TOO FACILE UNQUOTE DECISION ON PART OF THREE MINISTERS WHO SIGNED LETTER OF INTENT WITH N-REN. THESE WERE MINISTER OF COMMERCE AND INDUSTRY; MINISTER OF FINANCE AND PLANNING; MINISTER OF AGRICULTURE. EMBASSY AWARE THAT THIS CONCERN RATHER WIDELY SHARED AT CIVIL SERVICE LEVEL.

(/ WE OF COURSE HOPE USA WILL SOLIDLY WIN PRESTIGIOUS CONTRACT WITH ENCOURAGING ON-GOING IMPLICATIONS FOR U.S. BUSINESS IN KENYA. FOR THIS REASON, WE THINK USDOC SHOULD INFORM N-REN OF RESIDUAL GOK DOUBTS, ESPECIALLY AT IMPORTANT CIVIL SERVICE LEVEL IN THREE MINISTERIES MENTIONED ABOVE. EMBASSY RECOMMENDS THAT N-REN ACT QUICKLY TO STRENGTHEN ITS STANDING WITHIN CIVIL SERVICE AND ALSO ICDC, PARTICULARLY SINCE PRESS HAS TAKEN INTEREST IN FURTHER VERIFYING QUALIFICATIONS ON N-REN. THOUGH WE NOT IN POSITION UNDERTAKE PUBLIC RELATIONS CAMPAIGN FOR INDIVIDUAL PRIVATE FIRM, EMBASSY IS MOST WILLING TO ASSIST N-REN IN ITS OWN CONTINUING EFFORTS TO ESTABLISH CAPABILITIES AND FINANCIAL BACKING.
MARSHALL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 02 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: woolflhd
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NAIROB02658
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750113-1057
From: NAIROBI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750489/aaaaddnj.tel
Line Count: 98
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 USDOC 1949
Review Action: RELEASED, APPROVED
Review Authority: woolflhd
Review Comment: n/a
Review Content Flags:
Review Date: 26 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 AUG 2003 by BoyleJA>; APPROVED <15 DEC 2003 by woolflhd>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MAJOR PROJECT - AMERICAN FIRM N-REN WINS EXCLUSIVE NEGOTIATING RIGHTS
TAGS: BEXP, KE
To: STATE COM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006